



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

~~089117~~
089117

MANPOWER AND WELFARE
DIVISION

SEP 11 1975

Mr. Rufus H. Wilson
Chief Benefits Director
Department of Veterans Benefits
Veterans Administration

AC 000617

Dear Mr. Wilson:

The General Accounting Office surveyed certain aspects of controls in the Veterans Administration's (VA) computer-based Compensation and Pension (C&P) system over the accuracy, validity, and timeliness of benefit payment processing. Our survey was conducted at the Washington, Baltimore, and Chicago regional offices (VAROs), the Data Processing Center (DPC) at Hines, Illinois and at the VA Central Office in Washington, D.C.

Our observations pertaining to controls at the DPC are still being evaluated, and consideration is being given to reporting separately on those matters if warranted.

In the interest of prompt reporting, we wish to bring to your attention our observations at the three aforementioned VAROs so that corrective action can be taken at other VAROs if warranted.

We have observed certain conditions concerning procedures and controls at the three VAROs which were not adequate to ensure the timely correction and resubmittal of payment transactions rejected by the computer because of error. Our survey disclosed the following:

- Tests of the timeliness of correcting rejected pension awards at the Baltimore and Washington VAROs indicated that delivery of the first check to pension recipients is often delayed because corrections were not made in a timely fashion.
- Improved controls over the resolution of rejects at the three VAROs could minimize delays in delivery of benefit payment checks, overpayments and underpayments to veterans and their survivors, hardship payments, and the additional recordkeeping and paperwork associated with these conditions.

~~909290~~ 089117

--The volume of rejected awards and attendant delays in their resolution could be reduced by the VAROs manually verifying control totals on the input documents.

Certain corrective actions to improve controls have been initiated or considered at these VAROs, and new input machines will be acquired which have the capability to reduce the number of transactions rejected by the computer. However, the untimely correction of errors may well exist in other VAROs, and several months may elapse before full replacement of the existing input equipment.

Accordingly, we are recommending that the Chief Benefits Director issue appropriate instructions to the VAROs to tighten controls over correction of payment rejects and perform manual verification of control totals.

DESCRIPTION OF PROCESSING C&P TRANSACTIONS

Most of the transactions processed by the DPC originate at the 58 VAROs where the operations of the C&P programs are carried on. The primary input from the VAROs is in the form of paper tape.

The VAROs transcribe the data for the transactions to paper tape by means of flexowriter machines and mail the paper tape daily to the DPC. At the DPC transactions are put on magnetic tape and are processed through a series of computer runs called a processing cycle. The DPC usually runs two processing cycles per week for C&P transactions. Each processing cycle includes (1) the updating of the master C&P files, (2) the preparation of a magnetic tape file for the Treasury Disbursing Center (TDC) in Austin, Texas to produce checks for one time and retroactive payments, (3) the preparation of messages to field stations, and (4) the preparation of a magnetic tape to be used by the TDC in updating its file pertaining to payees.

When errors are detected by the computer programs, they may be rejected by the computer and sent back to the VAROs for correction, or they may be allowed to continue in process subject to later corrections. Responsibility for correction of errors on payment transactions which are rejected rests solely with the VARO involved. Messages on transactions rejected by the first computer run, called the control run, are teletyped back to the VAROs for correction and resubmission. Transactions rejected by the subsequent runs in the processing cycle are mailed back to the VAROs for similar action.

DELAYS IN DELIVERY OF FIRST
CHECK TO PENSIONERS

Our particular concern in the survey was directed to the timeliness of correction of rejects from the computer control runs on original and reopened pension awards and the resultant delays in the delivery of the initial pension checks to recipients. We made tests of pension awards rejected in October 1974 and January 1975 at the Washington and Baltimore VAROs. Our tests showed that veterans and survivors whose awards were rejected by the control runs were experiencing delays in the receipt of their benefit checks because rejects were not resolved in a timely manner.

The pension benefit is a means of supplementing the income of eligible veterans, widows, and orphaned children in financial need. Accordingly, delays in the delivery of checks can cause undue hardships to these recipients.

The initial check sent to a pension beneficiary is generally an accrued payment retroactive to the date of the claim or the date the veteran became permanently and totally disabled, or in the case of death pensions, the first day of the month in which a veteran's death occurred, depending on the circumstances in each case. In each processing cycle during the month the DPC prepares a magnetic tape on retroactive payments due on awards processed by the computer. The tape is sent to the Treasury Disbursing Center which prepares and mails the checks to the beneficiaries.

The VARO can issue a hardship or special payment when an award is rejected by the computer and the recipient is in dire need. These payments may be issued by the Austin TDC after processing through the C&P system or through a local Treasury Disbursing Office.

If an award is rejected by the control run of a processing cycle, the stations are required to correct and resubmit the rejected award by the next processing cycle but no later than 5 working days following receipt of the telecommunications reject messages. This requirement is set forth in the VA's Automatic Data Processing Manual for the C&P system. If this criteria is met by the stations, the reprocessing of the award through the VARO and the DPC and the subsequent mailing of the retroactive check tape to the Austin TDC generally takes a maximum of 10 to 14 calendar days.

At the Washington and Baltimore VAROs we selected a sample of pension awards rejected by the control runs in the October 1974 and

January 1975 processing cycles. Our sample showed calendar day delays in the receipt of the checks experienced by the recipients from the time the awards were originally rejected to the time of the subsequent resolution of the errors and release of the payment tapes by the Hines DPC to the Austin TDC. The results of our sample follow:

DELAY TO PENSIONERS
IN RECEIPT OF FIRST CHECK

<u>Length of delay</u>	<u>Number of cases at</u> <u>Washington VARO</u>		<u>Number of cases at</u> <u>Baltimore VARO</u>	
	<u>Oct. 74</u>	<u>Jan. 75</u>	<u>Oct. 74</u>	<u>Jan. 75</u>
Hardship payments made in month award rejected	1	5	0	4
11 - 14 days	3	1	2	4
15 - 20 days	19	6	3	3
21 - 25 days	16	19	3	15
26 - 30 days	3	4	1	14
31 - 40 days	4	9 ^{b/}	0	12
41 - 50 days	2	3 ^{b/}	5	7
51 - 60 days	0	3	0	10 ^{c/}
61 - 90 days	1	2 ^{a/}	0	14 ^{d/}
Over 90 days	1	2 ^{b/}	0	0
Total cases	<u>50</u>	<u>54</u>	<u>14</u>	<u>83</u>

a/ Includes two cases where no payment had been made through March 21, 1975, the date of the last payment cycle we reviewed.

b/ Includes one case where original submittal to DPC was in prior month and rejected.

c/ Includes 7 cases where no payments had been made through March 10, 1975, the date of the last payment cycle we reviewed.

d/ Includes 14 cases where no payments had been made through March 10, 1975, the date of the last payment cycle we reviewed.

The 58 VAROs transmitted approximately 37,000; 50,000 and 52,000 original and reopened C&P award transactions during the months of

January, February and March 1975, respectively. Information on how many of these awards were for pension benefits was not available. The control run at the DPC rejected about 2,300; 3,000 and 3,100 C&P award transactions respectively, about 6 percent of the total transmitted.

It should be noted that our sample was not statistically valid for projecting results. However, we believe it demonstrated that delays to the veterans were occurring and that these delays could be attributed to untimely resolution of rejects.

NEED FOR IMPROVED CONTROLS TO
INSURE TIMELY CORRECTION AND
RESUBMISSION OF REJECTED TRANSACTIONS

Accountability for error correction at the Washington, Baltimore and Chicago VAROs was fragmented and loosely controlled, and station management did not monitor the timeliness of error corrections. Certain improvements were made at the Washington and Baltimore VAROs during our survey. However, the lack of a well defined system for accountability for correction and resubmittal of errors indicates that improvements may be needed in other VAROs as well.

The automated C&P system has extensive programmed edits to provide for the isolation of errors and the continued processing of the remaining valid data. All such rejected data should be controlled to ensure that the required correction is made and that it is reentered correctly into the system at the appropriate time. Unless such control is implemented, the effort made in the processing cycle to filter out errors and transmit them quickly to the VAROs for correction is diminished in value.

Need for improved controls
over rejects from control run

A common technique for controlling the disposition of errors is the maintenance of a log in which errors and their disposition can be recorded. The log can also be used by supervisory personnel to monitor the resolution of rejects.

Chicago VARO

At Chicago no control log was maintained for rejects from the control run. On a bi-weekly basis the input unit supervisor reviewed rejects on hand and noted messages over 5 days old for which claim folders had not been obtained so that corrective action could be initiated. However, no accounting was made of eventual resolution of the rejected awards.

Baltimore VARO

At Baltimore we also observed that no such control log was maintained. As the telecommunications messages were received from the DPC, they were cut into strips and distributed to various control clerks to resolve the errors. No accounting was made of the resolution of these rejects by the administrative technician in charge of these control clerks.

In Baltimore we examined 22 claim folders from our sample of awards rejected in January 1975 and which were still unresolved as of early March 1975. In 12 cases we found no evidence of resubmission. In 10 cases we found that awards were resubmitted and subsequently rejected again. However, in only three cases did we find evidence of timely resubmission and in all three cases the awards were rejected again one or more times. The above indicated the need for priority attention to the resolution of payment rejects at Baltimore.

In March 1975 the administrative technician initiated a reject log and the control clerks were instructed to report correction dates to the technician for recording in the log.

Baltimore VARO officials advised us that an analysis of rejects will be compiled by the administrative technician. The analysis will indicate those employees in need of training and closer supervision.

Washington VARO

At the Washington VARO a control clerk or reject expeditor maintained a log by recording on the telecommunications messages received from the Hines DPC, the dates corrected award documents were prepared by the VARO for resubmission. We found, however, that the log was incomplete, and apparently not reviewed by supervisory personnel to ensure that rejects were corrected. In one instance the reject messages for an entire processing cycle were not received and little effort was made to obtain the messages and correct the rejects. We found several examples whereby correction and resubmittal was not noted in the logs. For example, of the 54 cases we reviewed in January 1975, 11 showed no correction date. Four of the 11 rejected awards had not been resubmitted through March 21, 1975, the last payment cycle we looked at. On three other cases, 32, 35 and 60 days lapsed before the recipient received his first check. We advised Washington VARO officials that appropriate supervisory review of the log would have called attention to these rejects so that prompt corrective action could be initiated. Washington VARO officials generally agreed that performance in controlling and correcting telecommunications rejects was deficient and initiated action to better monitor and control station performance in this area.

In May 1975 the Washington VARO moved to new quarters and the claims processing activities have been realigned to employ the unit concept of organization. Under the unit concept claims processing is performed by small operating units. The personnel, files and equipment needed for claims processing are located in the unit area.

The unit concept was developed to minimize the continued movement of claim folders within regional offices and thereby provide better control over the files. Inasmuch as difficulties in obtaining claim folders was a contributing factor at the Washington VARO inhibiting the timely resolution of rejects, the unit concept should help.

We were advised by the VARO Director that three additional reject expeditors have been assigned to control compensation and pension rejects. Prior to May 1975 only one man was assigned that responsibility for the entire VARO.

Although the Baltimore VARO has employed the unit concept since April 1974, it has experienced problems in timely resolution of rejects. The situation at Baltimore suggests that even though more personnel are assigned to resolving rejects, close supervision of reject expeditors is needed to ensure that the rejected transactions are reprocessed promptly.

Need for controls over
rejects from subsequent
computer runs

Our attention during the survey was directed primarily to timely resolution of rejects from the control run at Hines which represent errors in format on the input documents. Transactions are also rejected from other computer runs during the processing cycle, and the reject messages are mailed from the DPC to the various VAROs. We did not perform any tests to ascertain the timeliness of resolution of these rejects, but we did observe that controls at the Washington and Baltimore regional offices were not adequate to ensure that corrections were made.

Currently, a correction control card accompanies each reject notice received by the VAROs. At the Washington VARO the reject expeditor used the card to request claim folders when corrective action was required. When claim folders were not received the reject expeditor initiated a second request generally about a month later. If after the second request the claim folders were not obtained, both the reject message and the control card were destroyed. Records were not maintained to ensure that all rejects were corrected and resubmitted. In February 1975 we observed that the reject expeditor was preparing to throw away 29 reject

messages on payment transactions generated in December 1974 processing cycles because the claim folders were not obtained by his second request.

At the Baltimore VARO the correction control cards were destroyed by the administrative technician upon receipt. The hardcopy reject notices were distributed by the administrative technician to the control clerks under the technician's supervision. The control clerks in turn routed the messages to file clerks to obtain the claim folders or to adjudicators for their action. No records were maintained by the administrative technician to ensure that the rejects were corrected. Moreover, the administrative technician advised us that when reject messages were returned because claim folders could not be located, she took no further action on the rejected items.

Rejected payment transactions which are not resolved can result in overpayments or underpayments, delays in delivery of checks and additional administrative work by the VAROs resulting from complaints of veterans. Accordingly, we suggested a tightening of controls to provide accountability for the resolution of rejected payment transactions at these regional offices. The Washington and Baltimore VAROs agreed with our suggestions and have initiated actions to tighten controls over these type rejects.

In view of the lack of control at these VAROs we believe that the situation may well exist in other VAROs and that appropriate instructions should be issued by the Chief Benefits Director to improve control over reject corrections.

NEED FOR MANUAL VERIFICATION OF
CONTROL TOTALS ON C&P AWARDS

A control total is recorded on each authorized C&P award. The control total is the sum of the effective dates on the award. Programmed edits in the computer test the control totals to provide some assurance that the effective dates are accurately recorded on the input documents so that awards do not start or terminate prematurely.

At the Washington VARO we noted transactions which were rejected one or more times because control totals as shown in the input documents did not agree with the computer's calculation of the totals. Clerks preparing the input documents did not verify the addition of the control totals prior to submission of the input documents. We believe that if the addition is verified manually, the number of days elapsed to correct the errors and the resultant delays to recipients of checks can be shortened considerably in such cases.

At the Washington VARO, we analyzed the October 1974 and January 1975 cycles and found that 25 percent and 38 percent of the original and reopened C&P awards, which were rejected because of input errors, were rejected because of invalid control totals. We examined the input documents of 11 cases rejected in October and 9 cases rejected in January because of invalid control totals. We added the effective dates of these cases and found that 9 of the 11 rejects in October and all the cases in January would not have been rejected had the control totals been manually verified after being flexotyped.

After bringing the matter to the attention of the Washington VARO, we were advised by the Assistant Adjudication Officer that control totals would be verified on a sample basis. He further advised that a verification of control totals on all input documents would slow down award processing considerably. However, if the sample verification indicates that invalid control totals are still a continuing problem, more verification would be performed. In addition to verifying control totals on a sample basis, the VARO will review with responsible flexo-writer operators the mistakes created during flexotyping. This effort should reduce errors such as invalid control totals caused by inaccurate flexotyping.

Specific procedures for manual verification of control totals are left up to the individual VAROs. During our inquiries at the Chicago and Baltimore VAROs we were advised by VARO officials that control totals are not manually verified in Chicago but are in Baltimore. We recognize that controls in computer systems should be automated as much as possible because the machines can perform these control functions more rapidly and accurately than people. However, under the best conditions, rejected award transactions by the computer can result in a delay of 10 to 14 days in the veterans and survivors receiving their initial checks. Therefore, it appears that manual verification of the control totals on these awards would minimize such delays. Accordingly, we believe that the Chief Benefits Director should require all VARO input units to manually verify control totals on C&P awards.

ACQUISITION OF EQUIPMENT TO REPLACE FLEXOWRITERS

Most of the 368 flexowriter machines in the 58 VAROs are in poor condition and efforts are being made to replace these machines. The General Services Administration recently granted the VA a delegation of procurement authority for competitive solicitation for necessary equipment to supplement and/or replace the existing flexowriter equipment. A Department of Data Management (DDM) official advised us that

the new machines will be "intelligent terminals" which will contain certain edit controls and be equipped with visual display units so that certain errors can be detected and corrected before the data is transmitted. The existing equipment does not have these features.

We recognize that reject rates on input from the flexowriter machines are high, particularly in the Washington and Baltimore VAROs but we could not assess how many errors were attributable to the condition of the machines or to people. However, the machines envisioned as replacements appear to have the capability, through visual display and edit features, to reduce considerably the number of transactions transmitted to Hines and subsequently rejected because of input format errors.

Several months may elapse before full replacement of the flexowriter equipment. A DDM official advised that in all probability, installation of the new machines will not begin until about January 1976 and installments will be in increments of about 20 per month. It has not yet been determined how many machines will be acquired and over what timeframe. Accordingly, we believe that there is a need for interim measures to ensure expeditious correction of rejects.

CONCLUSIONS

Improved controls over the resolution of rejected payment transactions at the three VAROs could minimize delays in the delivery of benefit payment checks, overpayments and underpayments, hardship payments, and the additional recordkeeping and paperwork associated with these conditions.

The volume of rejected awards and attendant delays in their resolution could also be reduced by the VAROs manually verifying control totals on input documents.

Certain corrective actions to improve controls have been initiated or considered at the VAROs, and new input machines will be acquired with the capability to reduce the number of transactions rejected by the computer. However, the untimely correction of errors may well exist in other VAROs and several months may elapse before full replacement of the existing input equipment.

RECOMMENDATIONS

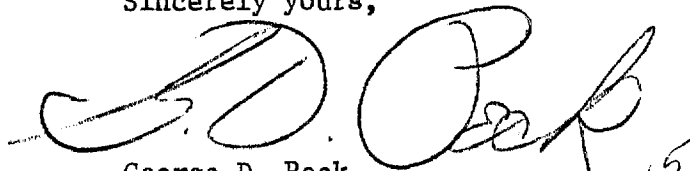
We recommend that the Chief Benefits Director issue appropriate interim instructions to the VAROs to monitor and supervise reject correction and to institute manual verification of control totals.

- - - - -

We wish to acknowledge the courtesies and cooperation extended by VA personnel in Washington and at the regional offices to our representatives during our survey.

Please advise us of any actions taken or planned on the matters in this report.

Sincerely yours,


George D. Peck
Assistant Director
GAO 00215